

Weekly Market Bulletin

Government of Ghana Treasury Bills & Notes Rates			
Bills & Notes	11-Jul-16	04-Jul-16	Change
91- Day	22.78%	22.79%	-0.01%
182- Day	24.68%	24.62%	+0.06%
1 Year Note	23.00%	23.00%	-
2 Year Note	24.00%	24.25%	-0.25%

Key Economic Indicators	2016 Target
GDP Growth	5.4%
Inflation	10.1%
Import Cover	≥3 Months

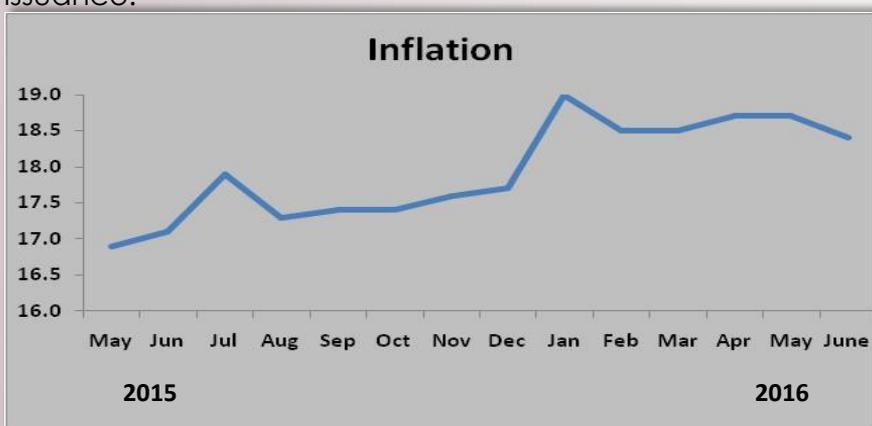
Government has announced that it is making progress in its efforts to raise about GHS300 million from domestic banks towards restructuring debts owed by Volta River Authority (VRA). This arrangement is aimed at enhancing the Authority's books in order to attract credit lines for its operations. Proceeds from energy sector levies are expected to be channeled into servicing the restructured debt.

Although concerns have been raised about further burden on tax payers to meet this obligation, government has assured otherwise.

The Ghana Statistical Service (GSS) has published a reduction in Inflation from 18.9% in May to 18.4% in June. Despite efforts by government to reduce inflation through monetary policy, the rate remains short of the 2016 target of 10.1%. Economic analysts are of the view that this target is almost unachievable, especially in an election year where spending patterns increase in the second half of the year.

Yields on government securities have been fairly stable with the exception of the 2-Year note which dropped by 25 basis points at the last auction.

Activity on the fixed income market was subdued last week in anticipation of Government's GHS1 billion 5-year bond issuance next week. Volumes traded totaled GHS20 million from the previous week's volume of GHS22 million. We expect more activity on the market ahead of the bond issuance.



Indicative Local Market Rates		
CCY Pair	Buy	Sell
USD/GHS	3.8570 – 3.8770	3.9720 – 3.9730
GBP/GHS	5.0800 – 5.1000	5.2950 – 5.2970
EUR/GHS	4.2300 – 4.2500	4.4350 – 4.4370

The Cedi has recorded contrasting performances against the Dollar and Pound due to recent happenings on the international market.

Indicative FX Forward Rates (USD)		
Tenor	Bid	Ask
Spot	3.8570	3.9730
Forward Points		
3 Months	0.2026	0.2284
6 Months	0.4348	0.4873

However, local foreign exchange demand and supply have not changed significantly over the last few weeks

In the coming days, the Pound's performance is expected to largely determine currency movements on the international market, which is likely to impact the local market.

Deposit Rates	
Tenor	Rates
O/N	5.00%
1 Month	15.00% - 18.00%
3 Months	18.00% - 21.00%
6 Months	17.00% - 20.00%
1 Year	18.00% - 19.00%
BoG Policy Rate	26.00%
Average InterBank Rate	25.50%
GTBank Base Rate	25.56%

The average Interbank rate has held firm at 25.50% in the last month. With the Policy Rate still at 26%, banks are not inclined to lend below the current overnight average.

This trend is expected to continue as long as liquidity on the local market does not change considerably.

CCY PAIR	11-Jul-16	04-Jun-16	Change
GBP/USD	1.3246	1.2934	+0.0312
EUR/USD	1.1059	1.1105	-0.0046
USD/JPY	104.69	101.27	+3.42
USD/CHF	0.9836	0.9747	-0.0089
Commodities			
Gold	1,339.15	1,360.58	-21.43
Oil (Brent)	46.79	45.35	+1.44
Cocoa	3,143.00	3,209.00	-66.00

The British Pound has rebounded slightly since the Brexit mayhem. It is expected to gain some stability as political uncertainties were calmed yesterday with the appointment of a new Prime Minister. The US Dollar's good fortune over the Pound continued this week. The greenback also made notable strides against the Yen as retention of Japan's Prime Minister increased expectation of fiscal stimulus.

The recent Pound frenzy swayed investor sentiments towards safe-haven Gold which is currently trading above US\$1,300 from US\$1,200 regions last month.

Though oil made slight gains from last week's figures, persistent global supply is likely to curb further price surges in the coming weeks.

Cocoa lost US\$66.00 to trade at US\$3,143.00 this week.

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